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LETTER DATED 11 JULY 1997 FROM THE SECRETARY-GENERAL
ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

I have the honour to convey the attached communication dated 10 July 1997 from the High Representative, Mr. Carlos Westendorp, on the implementation of the Peace Agreement on Bosnia and Herzegovina (see annex).

I would appreciate your bringing it to the attention of the members of the Security Council.

(Signed) Kofi A. ANNAN

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Annex

Letter dated 10 July 1997 from the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina addressed to the Secretary-General

I have the honour to transmit to you the sixth report on the activities of the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina (see appendix). I would appreciate your making the present report available to the Security Council.

(Signed) Carlos WESTENDORP

Appendix

Report of the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina to the Secretary-General

I. INTRODUCTION

1. By its resolution 1112 (1997) of 12 June 1997, the Security Council endorsed my appointment as High Representative and reaffirmed the importance of the role of the High Representative "in monitoring the implementation of the Peace Agreement and giving guidance to and coordinating the activities of the civilian organizations and agencies involved in assisting the parties to implement the Peace Agreement".

2. Pursuant to Security Council resolution 1031 (1995) of 15 December 1995, in which the Council requested the Secretary-General to submit reports from the High Representative in accordance with Annex 10 of the Peace Agreement and Conclusions of the London Conference of 8 and 9 December 1995, I herewith present the present report to the Council.

3. The report covers developments in the areas listed below during the period from the beginning of April 1997 to the end of June 1997.

II. INSTITUTIONAL ASPECTS

Office of the High Representative

4. In the period described certain positive results in setting up peaceful life in Bosnia and Herzegovina have been achieved by the joint efforts of the international community and Bosnian parties. At present the main responsibility for the realization of the civilian component of the Peace Agreement lies with the Bosnia and Herzegovina authorities - the common institutions and leadership of the entities. Only the coordinated, constructive work of the representatives of all three peoples could make the peace process in the country irreversible. Regrettably, a lack of political will to cooperate constructively, the danger of the renewal of confrontation mentality, mutual mistrust and accusations continue to stall the peace process. This should not be accepted. It is therefore extremely important to preserve and develop the positive dynamics, to strengthen the basis of "the common Bosnian house". I believe that this could be achieved by the consistent implementation by all sides of the requirements clearly prescribed in the Sintra Declaration.

5. My headquarters in Sarajevo and the secretariat in Brussels have, in the period under review, continued to maintain operational coordination of civilian implementation activities inside Bosnia and Herzegovina, as well as contacts with the headquarters of the respective implementation organizations and agencies, closely following, so far as possible, the various international forums dealing with the Bosnian peace process.

6. As specified in the Arbitration Award of 14 February and the Vienna Conclusions of 7 March, the Deputy High Representative appointed to serve as a Supervisor of Brčko is operating within the existing Office of the High Representative structure. He set up his office in Brčko on 11 April. He has established close cooperation with all implementing international organizations. The United Nations Mission in Bosnia and Herzegovina (UNMIBH), including the International Police Task Force (IPTF) and the United Nations Civil Affairs Office, are co-located with the Supervisor's Office to facilitate coordination and to reduce running costs.

7. The establishment of functioning common institutions of Bosnia and Herzegovina, as well as regional coordination and monitoring of the situation on the ground, has been a priority. My regional offices in Mostar, Tuzla and Banja Luka continued to facilitate contacts at a local level, promoting inter-entity cooperation.

8. During the period described the termination of assignments of the majority of international staff seconded to the Office of the High Representative by the respective Governments resulted in substantial personnel turnover. I'm thankful to the Governments who have replaced or extended the terms of duty of the staff. However, steady contribution in this field would seem to be necessary.

Peace Implementation Council

9. The international community was determined to reinforce its complete commitment to the Peace Agreement for Bosnia and Herzegovina as the only means of securing a viable future for the people of Bosnia. There was a further determination that the authorities in Bosnia and Herzegovina themselves should be reminded of their own obligations under the Agreement and be pressed to strengthen further the peace process.

10. The meeting on 2 April of the Steering Board of the Peace Implementation Council, held in Istanbul at the level of Political Directors, therefore examined ways in which the implementation of the Peace Agreement could continue to be propelled forwards. As a consequence, a meeting at Ministerial level of the Peace Implementation Council's Steering Board took place on 30 May 1997 at Sintra, Portugal, to which were invited the authorities of Bosnia and Herzegovina. The Political Declaration made at that meeting (see S/1997/434, annex) set out in clear terms exactly what was the performance expected of the authorities in the coming months, including a number of specific actions to be undertaken without delay.

III. COORDINATION OF CIVILIAN IMPLEMENTATION

Overall coordination

11. Senior representatives of the key implementation agencies lent their weight to the proceedings of the meeting in Sintra. Otherwise, the process continued of convening a meeting of those agencies at my office in Brussels immediately following each meeting of the Steering Board.

12. Regular discussions with the representatives of Governments and organizations have been maintained at all levels. I have made determined efforts to consult personally with concerned leaders and value highly the support I receive from them. My secretariat in Brussels has been especially engaged in this maintenance of the closest possible contacts with international partners and, further, in the provision of essential longer-range forecasting of issues related to civilian implementation.

13. In Sarajevo, I have continued to convene, on a regular basis, Principals meetings with the participation of the Special Representative of the Secretary-General, the IPTF Commissioner, the Special Envoy of the Office of the United Nations High Commissioner for Refugees, the Commander of the Stabilization Force (SFOR) and the Head of Mission of the Organization for Security and Cooperation in Europe (OSCE).

14. The Economic Task Force, which meets on a regular basis in Sarajevo, has been strengthened through the creation of an Economic Task Force secretariat. The Economic Task Force continues to be the central tool to ensure coordination of economic policy principles and priorities of international reconstruction assistance.

15. The Reconstruction and Return Task Force has brought together the key agencies and organizations concerned with economic reconstruction and the return of refugees. The Task Force has sought to maximize the impact of limited resources in support of sustainable return. In its report, which was presented to the donor community and host countries in April, the Task Force identified a major funding gap in the housing sector. Among its recommendations is an appeal to host countries not to repatriate persons who would be in the ethnic minority upon return, and to provide repatriation incentive schemes and guarantees for housing loan schemes. At present the Task Force is in the process of establishing regional task forces.

16. The Human Rights Task Force met on 7 May and reviewed progress in the priority areas identified at its last session, including human rights institution-building, development of a human rights culture through public information, education and democratization initiatives, strengthening the rule of law. The Human Rights Coordination Centre Steering Board continued its work in restructuring coordination efforts to address longer-term initiatives, as well as monitoring and response to more immediate issues, and has established specialized teams within the Centre to address issues of special importance.

17. The Freedom of Movement Task Force has continued to be a valuable forum for exploring various ways to promote freedom of movement for people, goods and services.

Common institutions of Bosnia and Herzegovina

18. The Presidency, Council of Ministers and Parliamentary Assembly, provided for in Annex 4 of the Peace Agreement, continue to meet regularly, but, owing to the lack of an administrative structure and the still outstanding decision on a final location, with minimum output. Little is achieved without prompting by,

or support from, my Office. With the passage of the quick start package in late June, the opportunity now exists to focus the common institutions on the need to put in place the essential staff and structures to support them and implement their decisions.

19. The Sintra Declaration of 30 May laid out a clear set of guidelines and goals over the months ahead. This has injected some impetus into the work of the common institutions; it must be maintained. A series of tight deadlines have been established, twinned with possible non-compliance measures. It is essential that the focus is kept on these goals; the international community must be ready to take the necessary action and apply the appropriate pressure should the institutions fall behind their commitments.

Presidency

20. The Presidency held four regular working sessions during the reporting period. Specific tasks and deadlines set by the Sintra Declaration triggered a new lease of life to the work of the Presidency. The Presidency agreed upon the Central Bank Law and the Budget Law, and established a working group on Bosnia and Herzegovina common flag and symbols.

21. Discussions on the staffing of the Ministry of Foreign Affairs and the diplomatic-consular network of Bosnia and Herzegovina have taken priority in the most recent sessions. While an agreement appears to have been reached on the number of embassies and consulates for Bosnia and Herzegovina, several key issues, such as the exact division of posts, or the location of the Ministry itself, remain unresolved.

22. There are a number of other crucial issues the Presidency has yet to address including the establishment of diplomatic relations between Bosnia and Herzegovina and the Federal Republic of Yugoslavia.

Council of Ministers

23. The Council of Ministers was the most active of all the common institutions, with eight official sessions, a number of "extraordinary" sessions, and a two-day working retreat in Croatia. My Office worked intensively with the Council members, Deputy Ministers and their staff to push through the adoption of the quick start package of essential legislation, culminating in its passage through Parliament on 20 June. During this period, the Council also considered matters ranging from civil aviation to telecommunications, but with no discernible results.

24. In the absence of administrative structures, the Council remains, effectively, little more than an extended working group. Despite a decision on 15 April to create a limited secretariat-like group consisting of representatives from the staffs of each of the Chairs, there is still no effective coordination, and much time is consumed at each session discussing agendas and meeting mechanics.

25. My priority will be to change this situation, and to work to ensure that this institution is equipped to deal effectively with its pressing agenda. Many

of the Sintra commitments require immediate action of the Council, including citizenship and passports, border openings, inter-entity telecommunications, civil aviation, and the presentation and adoption of the next package of essential legislation (quick start package II).

Parliamentary Assembly

26. Both Houses of the Parliamentary Assembly of Bosnia and Herzegovina held their third sessions at the National Museum in Sarajevo on 20 June 1997. They adopted seven laws, on the Central Bank, foreign debt, foreign trade, customs policy, customs tariffs, immunity and budget/budget execution from the quick start package legislation.

27. My Office organized the first constitutive session of the Bosnia and Herzegovina Constitutional Court on 23 May. It was attended by all nine judges (six nominated by the entities' parliaments and three international). A working group, made up of several of the Court's members including one of the international judges, in which my Office participates, is meeting regularly to draft the rules of procedure of the Court.

28. The Parliament of Bosnia and Herzegovina approved the Central Bank Law on 20 June 1997. Still outstanding is agreement on the design of the coupons that will be issued by the Central Bank. An agreement may be forthcoming in a matter of days; it is the sole remaining issue to be resolved for the letter of intent to the International Monetary Fund (IMF) which, in turn, opens the way for the donors conference. Intensive work is ongoing to make the Central Bank operational by the scheduled date in mid-August. The Board of Governors, with the assistance of IMF, has laid out the organizational structure of the Central Bank. I expect appointment of senior management to occur shortly.

29. In accordance with the Sintra Declaration, the Standing Committee on Military Matters held its inaugural session on 1 June. This was followed by a working session at Defence Minister level on 4 June at which the rules of procedure were formulated. The rules of procedure were worked on at the following sessions of the Standing Committee on Military Matters held on 16 and 20 June and at the last session of the Presidency on 27 June. During discussions, chaired by my Office and attended by SFOR and OSCE, the controversies have been reduced to two outstanding issues: chairmanship and membership of the Standing Committee on Military Matters.

Essential legislation

30. A draft law on citizenship of Bosnia and Herzegovina has been prepared by one of the working groups appointed by the Council of Ministers, in close cooperation with my Office and with the Council of Europe. Some politically sensitive issues were not agreed upon, and the Council of Ministers, which has received the draft law for adoption, will have to solve these issues.

31. As soon as the law on citizenship of Bosnia and Herzegovina is adopted, the two entities will need to harmonize their citizenship laws with that law. My

Office will, in cooperation with the Council of Europe, offer its assistance to the entities in this respect; the process should start as soon as possible.

32. The draft law on passports, which regulates the form of the passports and the way in which they are issued, is also before the Council of Ministers for adoption. As the working group was not able to decide on the design of the Passport and on the competence to issue, these matters must be solved by the Council of Ministers.

33. Legislation adopted by the Bosnia and Herzegovina Parliamentary Assembly does not enter into force before official publication. The Council of Ministers, on its own initiative, has agreed on a law on the Official Gazette of Bosnia and Herzegovina. It is now before the Bosnia and Herzegovina Parliamentary Assembly.

Joint commissions

34. Activities of the Provisional Election Commission (annex 3), chaired by OSCE, are referred to in the elections sections of the present report.

35. The Commission on Human Rights (annex 6) and the Commission for Real Property Claims (annex 7) continued their work. Despite the importance of these institutions, the Bosnia and Herzegovina and entity authorities have made few discernible efforts to bring them into their legal systems, and their cooperation and compliance with these institutions remain substantially inadequate.

36. The Human Rights Chamber, the Ombudsperson, and the Commission for Real Property Claims all face serious funding shortfalls. At its meeting in Sintra, the Steering Board called for immediate action by the authorities to provide for funding of these institutions through the budget of the Bosnia and Herzegovina common institutions.

37. Despite the critical funding situation, the work of all three institutions continues to expand. As of 30 June, the office of the Human Rights Ombudsperson had opened 1,692 provisional files, registered 713 cases, issued 10 final reports in individual cases and eight special reports; 38 requests for interim measures have been successful, and 21 have not been implemented by the authorities. To date, the Human Rights Chamber has registered 43 cases and rendered 11 decisions on admissibility of applications. As of 24 June, the Commission for Real Property Claims had received approximately 31,000 claims, rendered about 1,400 decisions, and sent 450 advisory opinions to the Supervisor in Brčko. In addition to its offices in Sarajevo, Lukavica and Mostar, the Commission opened three claims collection offices in the Brčko area in June.

38. The Bosnia and Herzegovina authorities have yet to nominate an official agent to liaise with the Chamber. The Federation has conducted an eviction in contravention of an interim measure order issued by the Chamber, and the Republika Srpska has failed to respond to witness summonses from the Chamber. Similarly, the Ombudsperson is confronted by a lack of cooperation from authorities at all levels, although to differing degrees.

39. My Office will continue to work with the Commission on Human Rights and the Property Commission to ensure full cooperation by the authorities and implementation of the recommendations of each institution, including through the drafting of implementation legislation, where appropriate. My Office will also monitor and coordinate intervention in cases in which the authorities have failed to cooperate with the Human Rights Chamber, the Ombudsperson or the Property Commission, or in which their decisions are not respected.

40. The Commission to Preserve National Monuments (annex 8), coordinated and financed by the United Nations Educational, Scientific and Cultural Organization (UNESCO), has established its working secretariat as well as a scientific secretariat in Paris. The Commission held its fourth session on 12 and 13 May and made a first selection of monuments and sites, with the intention of producing a consolidated list of designated national heritage.

41. The Commission on Public Corporations (annex 9) has not provided guidance to the technical working groups, which have been created to examine specific operational problems. The situation is particularly acute in the power and railway sectors. I have urged the Prime Ministers of the two entities to examine the overall problem of public corporations and resolve the underlying political impasse. In addition, my legal department has issued a legal opinion on the status of the separate companies and corporations that came into being during the war.

Elections

42. Sound municipal elections conducted within the framework of the newly established common institutions, as well as the entity institutions, will be of crucial importance to the future development of Bosnia and Herzegovina. Since my last report OSCE has continued its supervision of the preparation and conduct of the municipal elections.

43. The Provisional Election Commission continued its regulatory work for the municipal elections, with special attention paid to the areas of Mostar and Brčko. It was decided that the elections in Mostar will take place in the six city-municipalities as well as in the City Council. The elections will be conducted under the rules and regulations enacted by the Provisional Election Commission, with the exception of the allocation of seats, which shall be carried out in accordance with the relevant articles of the Interim Statute of Mostar. By doing so, it will be possible to allocate fully all seats for the Mostar City Council, including those reserved for the "group of others". Furthermore, the Provisional Election Commission decided that an annex on Brčko should be appended to the rules and regulations in which the role of the Brčko Supervisor was underlined.

44. The affirmative voter registration in Bosnia and Herzegovina, which will clearly define the electorate, commenced on 5 May. As reported earlier, the Provisional Election Commission enacted rules allowing refugees to vote in an intended place of residence, as well as giving displaced persons the right to vote where they currently reside, provided they prove continuous residence before 31 July 1996. The full international supervision of the registration

process has disclosed registration irregularities as well as fraudulent attempts to register voters in certain areas: Banja Luka, Prijedor, Gradiska, Kotor Varos, Srpski Drvar, Srpski Kljuc/Ribruk, Brčko, Zepce, and Capljina. Where claims have been substantiated, candidates have been struck from party lists, members of local election commissions and voter registration centres removed and voters re-registered. These efforts to safeguard the integrity of the registration process should promote an overall acceptance of the final voters register, thus delivering elections of higher standards than in 1996.

45. A solution to the territorial reorganization within the Federation has not been found, thus leaving 18 municipalities divided by the inter-entity boundary line without governing authorities. The Federation Parliamentary Assembly has not yet adopted the law on territorial reorganization and new municipalities; hence effectively disenfranchising approximately 60,000 voters in the forthcoming municipal elections. At this advanced stage in the electoral process, it is no longer operationally possible to include these voters in the electoral process, should a law be adopted.

46. As prescribed by the London Peace Conference, OSCE established an inter-agency post-election planning group with the responsibility to plan for the implementation of the election results and the management of the post-election period. An election implementation plan was agreed between the OSCE Mission and my Office based on the principles that implementation of the election result are: the responsibility of the Bosnia and Herzegovina authorities; an integral part of the electoral process and, therefore, will be firmly anchored in the rules and regulations; certified in a two-step process ensuring that final certification is not issued before the successful installation of municipal councils has taken place.

47. The Election Implementation Plan was endorsed in Sintra on 30 May 1997. According to this plan, management of the post-election period will be conducted by monitoring the authorities' implementation of the election results, and by closely coordinating an international response in case of non-compliance. To that end, the plan envisages the enactment of an inter-agency national election results implementation committee and its substructures.

Federation issues

48. The security climate throughout the Federation has continued to improve, including in Mostar. Some essential legislation, however, which is politically blocked in the Federation Houses and the Cantonal assemblies, is hampering the implementation process.

49. Adoption of a Bosniak proposed draft law on Split and new municipalities by the House of Representatives has resulted in the Croatian Democratic Union (HDZ) boycotting the sessions. In view of the approaching municipal elections and the failure of the Federation Parliament to reach a compromise on the Municipality Law, disenfranchisement of 60,000 electorates living in divided municipalities in the Federation seems to be unavoidable.

50. Sarajevo City, with a guaranteed sharing of governance by all three communities, is still not established. The Amendments to the Federation Constitution regarding Sarajevo and Mostar were adopted by both Houses, however, despite the decisions of the Federation forum of 14 April and the Federation meeting on 6 June, the amendments to the Constitutions of Herzegovina-Neretva and Sarajevo Cantons have been stalled at the cantonal level. The Mostar HDZ is still not prepared to enshrine the principles of a unified city in the Canton Constitution.

51. The Federation meeting of 6 June also stipulated the establishment of the integrated cantonal police force of the Herzegovina-Neretva Canton effective as of 16 June, and to be completed by the beginning of July. Despite the urgency, HDZ of the Canton objected to the breakdown of the national composition of the Cantona, police, and the Bosniaks raised security concerns for Bosniak police in the areas of Croat majority, raising serious obstacles to the establishment of joint police forces.

Republika Srpska

52. Since my last report (S/1997/310, annex, appendix), the National Assembly of the Republika Srpska held four sessions. The process of forming the legal basis in Republika Srpska is continuing. I am, however, concerned that a number of laws adopted by the National Assembly contain provisions not in accordance with the Bosnia and Herzegovina Constitution. My Office has presented a number of proposed amendments to bring the laws in line with the Bosnia and Herzegovina Constitution; the Law on Internal Affairs will be reviewed by the Council of Europe.

53. Despite the constitutional shortcomings of the "Agreement on Special Parallel Relationships" between the Republika Srpska and the Federal Republic of Yugoslavia, the Republika Srpska Government continues attempting to implement it. Within the framework of the agreement, the Republika Srpska signed with the Federal Republic of Yugoslavia and Serbia a number of protocols on: regulating traffic of goods and services, health protection, education, science and culture, traffic and communication, etc. No progress has been made to bring the agreement in line with the Bosnia and Herzegovina Constitution; the Federal Republic of Yugoslavia has yet to nominate two members to the working group, chaired by my Office, established to this end.

54. During the reporting period, the deputies of the National Assembly elected in the territory of the Federation continued to participate in its work without taking an oath or encountering serious problems or obstacles. My Office and IPTF provided logistical support to deputies from the Federation.

55. On 28 June, the Republika Srpska President took the decision to suspend the Minister of Interior, owing to corruption allegations. As the Government, guided by the leadership of the Serbian Democratic Party (SPS) in Pale, refused to follow both this and her subsequent decision to dissolve the Parliament, a serious constitutional and political crisis erupted which, in the first few weeks of July, is far from being resolved. This crisis mirrors a growing rift between SDS hardliners and those who wish to implement the Peace Agreement, and could potentially have serious repercussions on the implementation process.

56. I proceed from the assumption that the Republika Srpska President decision to dissolve the Republika Srpska Assembly was in conformity with the provisions of its Constitution. In this context, I attach the utmost importance that the organs of the Republika Srpska act in accordance with the constitutional order, i.e. the Bosnia and Herzegovina and Republika Srpska Constitutions, as well as the Peace Agreement.

Media

57. The media climate in Bosnia and Herzegovina remains far from perfect, especially in the Republika Srpska and Western Herzegovina. It is widely accepted that there is a close relationship between control of the media and political activities, also indeed with the will to comply with the Peace Agreement. My Office continues to monitor the local media both independently, and in the framework of the Media Expert Commission of OSCE. We are exploring how we can follow up the provision in the Sintra Declaration that the High Representative has the right to curtail or suspend any media network or programme whose output is in persistent and blatant contravention of either the spirit or the letter of the Peace Agreement. The coordinating role of the Office of the High Representative with regard to independent media continues, with monthly meetings of all major donors taking place in my offices in Sarajevo.

58. The Sintra Declaration also endorsed the aim that, by the end of the year, every sizeable commune in Bosnia and Herzegovina should have access to independent radio or television reporting - and called upon Governments to continue to support the second stage of development of the Open Broadcast Network and to draw up a plan to this effect to be coordinated by my Office. This is in the process of being carried out by my Office, in the shape of a third stage of development of the Open Broadcast Network. The second stage is well advanced, with much of the US$ 6 million pledged going towards the all-important entrenching of the Banja Luka affiliate of the Open Broadcast Network, Alternativna Televizija.

59. There has been welcome progress on the Open Broadcast Network since my last report, coordinated by my Office as Chairman of the Governing Council and the Steering Committee. The Open Broadcast Network reached an agreement in May with the Sarajevo station TVX as a result of which the Network's full (six hour) programme output can now be seen in Sarajevo, as well as in the other main Federation cities and in Banja Luka.

60. The Federation Forum Special Group on Media Issues, co-chaired by my Office and the Government of the United States of America, is in the process of establishing two joint Bosniak/Croat commissions to develop a Federation media law, and to carry out an inventory of broadcasting assets, mainly belonging to RTV Bosnia and Herzegovina, around the Federation. Recent crisis proves that Republika Srpska media is not acting in accordance with the Dayton Accord. Action has to be taken in conformity with the relevant provisions of the Sintra Declaration.

Return of refugees and displaced persons

61. Facilitating the sustainable return of displaced persons and refugees remains critical to the overall peace implementation process in Bosnia and Herzegovina. Obstacles to return on the political level are compounded by the lack of security, administrative obstacles such as refusal of the municipal authorities to register returnees as well as to issue or accept identification cards, the shortage of funding for reconstruction in the housing, infrastructure, social infrastructure and employment sectors. Much of the pre-war housing capacity has either been destroyed or is now occupied by displaced persons, and the international reconstruction effort has been delayed because of the postponement of the donors conference. My Office is actively engaged in establishing a mechanism that will allow the limited international funds to be used in a way that will relate the notion of conditionality, reaffirmed at Sintra, to practise on the ground. More than 40,000 refugees from host countries in Europe have repatriated during the first half of 1997, and others are expected to return over the summer months. A feared influx of Serbs from Eastern Slavonia into the Republika Srpska has not taken place, but if it occurs it will exacerbate the housing problem.

62. While many displaced persons, also in Republika Srpska and Croat controlled areas of the Federation, are signalling their wish to return to areas where they would no longer be in the ethnic majority, there have been few successful minority returns. The Open Cities initiative by the Office of the United Nations High Commissioner for Refugees (UNHCR) signals a renewed focus on facilitating minority returns by the international community. My Office is prepared to assist in coordinating efforts that build on the desire of people to return and local receptivity to returns.

63. Many of the overall civilian implementation tasks coordinated by my Office, such as the building of common institutions, supporting economic reconstruction, creating communications and transport links between the entities, and providing a basis for a functioning civil society are fundamental to creating the necessary conditions for the return of displaced persons and refugees. In relation to return specifically, my Office has continued to concentrate its efforts in three main fields developing links between economic reconstruction and the return of refugees under the Reconstruction and Return Task Force; support for the Coalition for Return; and the implementation of the procedures for return to Brčko and for return and reconstruction in the zone of separation.

Freedom of movement

64. Freedom of movement remains an overriding commitment in the Bosnia and Herzegovina Constitution and the Peace Agreement. It is a key factor opening up the economy, access for the elections, and for returns. I can report that there is a gradual improvement in some areas. However, more has to be done to create confidence in travelling throughout Bosnia and Herzegovina.

65. The UNHCR cross-inter-entity boundary line bus programme has continued to be a success. It is now used by some 11,500 people per week, including 5,000 journeys per week in Sarajevo alone. There were over 100 successful graveyard

visits during Bayram in April and May, and some 45,000 pilgrims travelled without hindrance to Sarajevo for the Papal Mass on 13 April. Since the signing of the customs administration agreement between the entities, over 700 trucks transporting imports and exports have crossed the inter-entity boundary line.

66. In the Brčko area, freedom of movement is slowly improving. At the beginning of May two UNHCR bus routes across the inter-entity boundary line were opened. On 1 June the Brčko road bridge was opened to private citizens and commercial traffic. The numbers using the bridge grows each day.

67. On 15 May, IPTF and SFOR introduced a revised checkpoint policy to improve freedom of movement by reducing the number of static checkpoints, whilst promoting better policing techniques. The policy made illegal any checkpoint that did not have prior IPTF approval. Exceptions were made for emergencies and traffic control. The Federation accepted the policy. However, the Republika Srpska Government and Assembly formally rejected it, claiming IPTF and SFOR were operating beyond their respective mandates. The Republika Srpska Interior Minister instructed his police not to cooperate with the policy, but generally the Republika Srpska police have avoided confrontation, and there have been isolated pockets of compliance. In my view the Republika Srpska instruction not to cooperate with the policy is a breach of commitments made in Annex II of the Peace Agreement.

68. Illegal checkpoints in both entities have been dismantled. SFOR support has been crucial, and I welcome the close cooperation between IPTF and SFOR. They will continue to enforce the policy.

69. Although the number of checkpoints has been reduced, more has to be done to increase confidence. My Office therefore continues to promote steps to issue binding instructions to all relevant authorities requiring compliance with the "rules of the roads", to ensure that no arrests of war crimes suspects occur prior to a response by the International Tribunal for the Former Yugoslavia finding sufficient evidence for detention. I am continuing to promote commercialization of bus routes, and to establish a common car number plates system in accordance with the Sintra Declaration. I will interpret a failure to implement this as a case of non-compliance, with consequences for the release of financial assistance.

70. In the longer term, police restructuring and retraining according to democratic principles, remains a priority and will make a significant improvement to freedom of movement. Some progress has been made in the Federation, but the Republika Srpska has failed to meet its commitment to start the process. The Sintra Declaration called upon the parties to accelerate the process. But progress continues to be blocked by political interference in both entities. Efforts have to be made by the international community to loosen the grip of political leaders and parties on the local police if significant progress is to be achieved. My Office is re-examining the definition of authorized policemen referred to in annex 1a.

Missing persons, mass graves

1. The issue of missing persons remains highly volatile after more than a year f halting and inadequate progress. The exact number of missing persons is ncertain: the International Committee of the Red Cross (ICRC) has received racing requests for more than 19,300 persons; the Bosniak authorities estimate he number of missing to be closer to 30,000. To date, the status of pproximately 1,100 missing individuals has been clarified.

72. An initial trench of cross-inter-entity boundary line collection of mortal remains at two sites - one in the Federation and one in the Republika Srpska - was successfully concluded in May. Owing to the intransigence of the parties, agreement has not yet been reached on the next sites to be exhumed.

73. Under the auspices of the Expert Group on Exhumations and Missing Persons, chaired by my Office and consisting of several international organizations, a number of efforts are under way to assist the joint exhumation and identification process. These include projects by Physicians for Human Rights to train Bosnian scientists and technicians in exhumation techniques, to provide a coordinator for international forensic monitoring of exhumations, to establish an ante-mortem database and to assist the parties in the identification of mortal remains.

74. The International Commission on Missing Persons has established a fund to aid family associations of missing persons. The Commission has also supported the creation of the ante-mortem database, the identification project and additional equipment for exhumations and autopsies. The donation of equipment by the Commission will supplement equipment already supplied by the Government of Switzerland. Although beneficial, these projects cannot by themselves resolve the many issues relating to missing persons. Additional resources, security for exhumation sites, and substantial political will are required if this issue is to be addressed effectively.

Human rights

75. Concrete steps need to be taken by the authorities to demonstrate their commitment to protecting human rights, a fundamental precondition to facilitating returns and to achieving social stability and economic development. These steps include changing laws that are not in compliance with the Constitution of Bosnia and Herzegovina, which incorporates the European Convention on Human Rights; improving security conditions and freedom of movement; protecting the right to fair trial and ensuring the rule of law, and providing opportunities for equal access to employment, housing education and other public services, including documents.

76. At its meeting in Sintra, the Steering Board called for both entities to amend their property laws to eliminate the substantial barriers to return and recommended that support for housing reconstruction be conditioned on these steps. My Office has presented the entities with proposed property legislation, which should be adopted by their parliaments as a matter of urgency.

77. An unsatisfactory human rights situation prevails in both entities. Violations of freedom of movement, harassment, violence, destruction of property, and discrimination on the basis of ethnicity and political affiliation continue to be reported, particularly in the Republika Srpska and in Croat-majority areas. In the majority of these cases, police have failed to take effective action to prevent or respond to incidents, and not cooperated with international monitors or complied with their requests for intervention.

78. International interventions have recently resulted in some improvement in both municipalities. However, interventions have gone unheeded in many other cases. The west Mostar authorities have recently refused requests by international organizations, including my Office and UNHCR, to respect the findings of the Federation Ombudsmen by reinstating five families who were illegally evicted from their homes in 1996. The Banja Luka police have consistently failed to enforce court decisions for the reinstatement of 38 minority families, despite interventions by a number of international organizations, including the Human Rights Ombudsperson for Bosnia and Herzegovina. Numerous interventions with the Republika Srpska authorities on the ongoing abuses of the rights of minority residents and returnees in Teslic have had little impact on conditions there and the situation in Stolac, Drvar and Jajce is still unsatisfactory.

79. IPTF has conducted independent investigations into police involvement in human rights violations and has intervened with the authorities on these cases, including in Mostar, Brčko, Drvar and Gajevi. As a result, action has been taken against some individuals, including policemen. However, my Office and the Human Rights Ombudsperson for Bosnia and Herzegovina are concerned that the authorities in west Mostar continue to ignore the international community's demands that a full investigation and judicial proceedings based on new indictments be carried out in the cases of the three west Mostar policemen involved in the 10 February shooting incident, and that two other west Mostar policemen be suspended from their posts pending investigations into their involvement in the incident. IPTF has also investigated allegations of police assaults on persons in their custody in Sarajevo, Velika Kladusa, Banja Luka and in other areas.

80. Freedom of movement for visits and returns has improved in some locations, though several serious incidents occurred during the reporting period. In March, a Serb man died of injuries he sustained after he was attacked by a group of Bosniak displaced persons while visiting a family grave site in the Visoko area. In June, the body of a Bosniak man, who had been reported missing after he boarded a bus to the Federal Republic of Yugoslavia in Sarajevo, was found by Republika Srpska police in Rudo. A number of other cases of harassment and threats to minority visitors and travellers have been reported, including in Kiseljak, Brčko and Doboj.

81. Though there have been few reports of politically motivated harassment or violence compared to the period prior to the 1996 elections, my Office continues to closely monitor the situation in the run-up to the municipal elections. Several cases of harassment of journalists working for independent media outlets have recently been addressed by international monitors and the Media Experts Commission.

Cooperation with the International Tribunal for the Former Yugoslavia and strengthening the rule of law

Cooperation with the Tribunal on cases of indicted persons

82. Cooperation with the International Tribunal for the Former Yugoslavia remains a key part of the process of peace implementation. The failure to hand over indicted persons remains a matter of grave concern, the presence of which is a continuing threat to the peace process. This applies to Bosnia and Herzegovina, in particular Republika Srpska and parts of the Federation, as well as to the Republic of Croatia and the Federal Republic of Yugoslavia.

83. In Bosnia and Herzegovina, the failure of responsible authorities, particularly in the Republika Srpska, to fulfil their legal obligation to cooperate with the Tribunal continues. The Republika Srpska has refused to arrest and surrender persons indicted by the Tribunal, relying on a provision in their Constitution which is clearly superseded by the Constitution of Bosnia and Herzegovina and the Peace Agreement. Concurrently, Bosnian Croat authorities have failed to arrest the numerous indicted persons who reside in or visit areas of the Federation previously under the control of the Croatian Defence Council.

84. International monitors and the media have documented and publicized the current whereabouts of a number of persons who have been indicted by the Tribunal, some of whom are believed to be working in a public capacity, including as police. In my last report to the Secretary-General, I noted that persons indicted by the Tribunal are believed to be living, and in some cases working in a public capacity, in the municipalities of Prijedor, Bosanski Samac, Foca and Vitez. There also continue to be reports involving the ongoing influence of Radovan Karadžić in the Republika Srpska.

85. The responsible authorities must take immediate steps to execute arrest warrants for persons indicted by the Tribunal and surrender all indicted persons to the Tribunal. Domestic laws and constitutional provisions that are used as reasons for avoiding such steps are clearly superseded by the Bosnia and Herzegovina Constitution and other Annexes of the Peace Agreement, and must be amended accordingly. Authorities must not cooperate with or condone any indicted persons.

86. At its meeting in Sintra, the Steering Board expressed its willingness to consider further recommendations from my Office concerning measures to address the continuing influence of Karadžić in the Republika Srpska, and noted my proposal that persons cooperating with, or condoning the role of, indicted persons should be denied visas to travel abroad. My Office, in cooperation with SFOR and other international and domestic partners, is compiling the required information and will make recommendations concerning travel restrictions and other measures concerning Karadžić's continuing influence shortly. Additional information is also being gathered on those municipalities that allow indicted persons to work in a public capacity, for distribution at the forthcoming donors conference.

Compliance with the "rules of the road"

87. The Sintra Declaration reiterated its expectation that the authorities of the Federation and Republika Srpska fully implement the measures agreed in Rome on 18 February 1996 (the rules of the road) by refraining from arresting, or detaining, war crimes suspects except in cases in which the Tribunal has reviewed the file and found sufficient evidence under international standards.

88. The Federation has taken substantial steps to implement the rules of the road during 1997. The Federation Ministry of Justice seems aware of the obligations imposed by the rules of the road and is willing to work to implement the rules of the road. However, there are still numerous cases in which they continue to be violated, notably in Bihac, where at least six people are currently detained in violation of the rules of the road. Although the Republika Srpska authorities continue to voice their willingness to comply with the rules of the road, only three cases have been submitted to the Tribunal. The in absentia trial of President Alija Izetbegovic continues in a Banja Luka court, although the Tribunal has not found sufficient evidence in that case.

89. Though there have been few arrests in violation of the rules of the road in either entity in the last six months, the real measures of both entities' failure to fully implement the rules lies not in the number of actual arrests but in the substantial impact the threat of arrest has on freedom of movement. In addition, local authorities in both entities have repeatedly referred to "lists of war crimes suspects" to block return and visits. These lists are wholly incompatible with the rules of the road process.

90. I have called upon both entities to release all persons detained in violation of the rules of the road and to submit files of all war crimes suspects to The Hague. The Ministers of Justice of the two entities have agreed to issue instructions to all relevant authorities informing them of their obligations under the rules. My Office will continue to press the authorities to comply with the rules, and will intervene in cases in which the rules are violated and coordinate monitoring of war crimes cases and trials.

91. It is of equal importance that the Tribunal must be provided with the resources it needs to fulfil its commitment to implement the rules of the road procedure in a timely manner and to monitor prosecutions and trials in national courts.

Other rule of law measures

92. The extensive list of human rights obligations which form part of the Constitution must be brought into law through the adoption of implementing legislation and by a review of existing laws to determine their compatibility with international human rights standards, in particular the European Convention on Human Rights. The Federation has now formed an expert team to reform its criminal law and criminal procedure code; the Republika Srpska must also undertake this process with expedition and involvement by international institutions, including the Council of Europe.

93. Greater efforts must also be made by the authorities to inform the public both of their rights and of the legal framework which has been created to protect those rights. My Office will continue to advocate expedited reform of the criminal justice system in both entities and protection of the rights of those persons who fall victim to current inadequacies in those laws. We will also continue to work with the Federation and Republika Srpska authorities to establish mechanisms and procedures for inter-entity judicial cooperation.

Economic reform and reconstruction

94. The economic department at my Office has been reconfigured with a view to enhance coordination with major implementation agencies and international financial institutions. A specialist in banking and finance has been hired to support private sector business development. In addition, the department's data-processing capacity has been improved. I have asked IMF, the European Community and the Government of Germany to continue to second economists to my Office. I shall give further consideration to the economic department structure.

95. In the second quarter of 1997, 11 grant agreements on reconstruction projects were signed with the authorities in Bosnia and Herzegovina. Now that the quick start package has been passed, I expect that the World Bank's Board in the coming weeks will approve five projects with a total cost of $325 million. As the resources committed during the 1996 donors conference are nearing exhaustion, the 1997 donors conference cannot be further delayed without adversely affecting the reconstruction process - and the confidence of private investors upon which prospects for a sustainable economic recovery depend. Regarding the balance of resources between the Federation and the Republika Srpska, some consensus is beginning to emerge around a 70/30 split.

96. The minimum legal framework for a viable integrated economy in Bosnia and Herzegovina has been established with the parliamentary adoption of the quick start package. Negotiations on an economic programme that can be supported with an IMF standby programme are ongoing. I trust that they will be finalized in time to facilitate a donors conference in July.

97. Infrastructure continues to be at the centre of the reconstruction effort, with a strong emphasis an employment generation. In the second quarter some 75 new contracts were signed. As of the end of June, the World Bank managed 1,340 contracts. The estimate for all donors exceeds 2,500 with a total contracts value of close to $1 billion. However, significant funding gaps remain in all major sectors. Political constraints on the ground also continue to impede project implementation in telecommunications and railways. However, mounting international pressure on the Bosniak side to join a memorandum of agreed principles in the telecommunications sector is showing results. This will open the way to a major sector project of the European Bank for Reconstruction and Development. Clearly, viable sector policies must remain a condition for donor funding also in the railway sector.

98. Regarding the Brčko area, the Supervisor has designed a programme for refugee return and has prepared for the donors conference an estimate of the

minimum expense required for stabilizing in the local economy. A commitment of commensurate funds at the donors conference, and their rapid disbursement, will be crucial for achieving the objectives of the international community.

99. The expected return of significant numbers of refugees from host countries in Europe remains a major challenge for 1997. The Return and Reconstruction Task Force, chaired by my Office, has presented in April 1997 a consensus document on the political, legal and economic approach to returns, with the participation of UNHCR; the European Community; the World Bank; the International Management Group; the Real Property Claims Commission for Refugees and Displaced Persons; and representatives of the Economic Task Force. Regarding financing constraints my Office has pointed out the need for loan financing on a cost covering basis. In response, the European Community together with the German Development Bank (KFW), is working out a concrete project expected to become operational early in the third quarter.

Civil aviation

100. Progress in the field of civil aviation continues to be mixed. The number of civil carriers operating into Sarajevo continues to rise and the demand for overflights transiting Bosnia and Herzegovina airspace has resulted in SFOR agreeing to increase the flow to 10 aircraft per hour. This has significantly enhanced the earning potential to the nation from this activity. Despite considerable efforts by my Office and SFOR the memorandums of understanding concerning the opening of the additional airports of Mostar, Banja Luka and Tuzla remain unsigned.

101. The Sintra Declaration insisted that further progress be made towards the reconstitution of the Civil Aviation Authority and stated that if the new Authority was not operational by the end of July it would be recommended that international aviation authorities cease to cooperate with the existing body. A draft proposal for a reconstituted Authority was submitted to both entities by my Office in May but did not result in an agreed position. A joint delegation from the Council of Ministers travelled to Brussels on 13 May and formally agreed that Eurocontrol would undertake the collection of overflight fees on behalf of Bosnia and Herzegovina. Eurocontrol has also undertaken to broker an interim agreement between Bosnia and Herzegovina, the Federal Republic of Yugoslavia and Croatia regarding interim fee collection agreements.

Mine clearance

102. Although the State Commission for Demining has been established it has yet to receive the funding and resources required to undertake the task. This lack of progress continues to hinder the establishment of a coordinated and effective demining programme. Demining by the entities' armed forces continues to be encouraged by SFOR but with mixed success. VRS activity is restricted to the Banja Luka areas; the Croatian Defence Council element of the Federation Army has recently suspended demining after the loss of four personnel and is insisting that they require new equipment but would prefer that the function is carried out by a specialist civilian agency; the Bosniak element of the

Federation Army is conducting limited operations. Successful demining remains vital to the reconstruction and economic development of Bosnia and Herzegovina and will continue to be monitored closely by my Office.

Regional stabilization

103. Implementation of the Agreement on Confidence- and Security-Building Measures is satisfactory. Inspections, exchanges and seminars have taken place but are not always fully supported. The continued efforts and cooperation of SFOR are vital to the advancement of this process. I fully endorse the OSCE strategy of convincing the parties that full implementation of article II of the above agreement is in their interests and welcome the initiative of forming working groups on the exchange of military information, weapons manufacturing facilities, and an open skies agreement.

104. The Sintra Declaration emphasized the need for all parties to redouble their efforts in arms reduction, and expressed concern about the failure of the Republika Srpska to implement fully its commitments on reduction and the Federation to produce the required plan for this purpose. Under-reporting of equipment declarations continues to cause concern. The full support of the international community will be needed if the required reductions are to be completed by the deadline of 1 November 1997, and a renewed sense of commitment from the parties will be essential in order to ensure this momentum when the chairmanship of the Subregional Consultative Commissions transfers from OSCE to the parties in December.

IV. COOPERATION WITH THE STABILIZATION FORCE

105. The presence of SFOR ensures that the parties pursue their goals through peaceful, political means and I envisage the need for this to continue. I and my staff have a close and most productive relationship with SFOR, the Supreme Headquarters Allied Powers, Europe (SHAPE) and the North Atlantic Treaty Organization (NATO).

106. The support that SFOR offers to civilian implementation in addition to its primary task is an essential element in the continued achievement of progress. I welcome the commencement of debate regarding the transition of SFOR from the second phase of the operation to the third phase, and the impact that this change will have on the support of civilian implementation. In the coming month, activities such as the local elections, the process of returns, and the Brčko arbitration decision will necessitate the fullest support of SFOR.